Raytheon

Customer Success Is Our Mission

Changing the Dynamics of the Customer - Industry Partnership

Jon Jones,

Vice President, Raytheon Missile Systems

Defense Acquisition University

21st Annual Acquisition Symposium

June 8, 2004

The State of Change

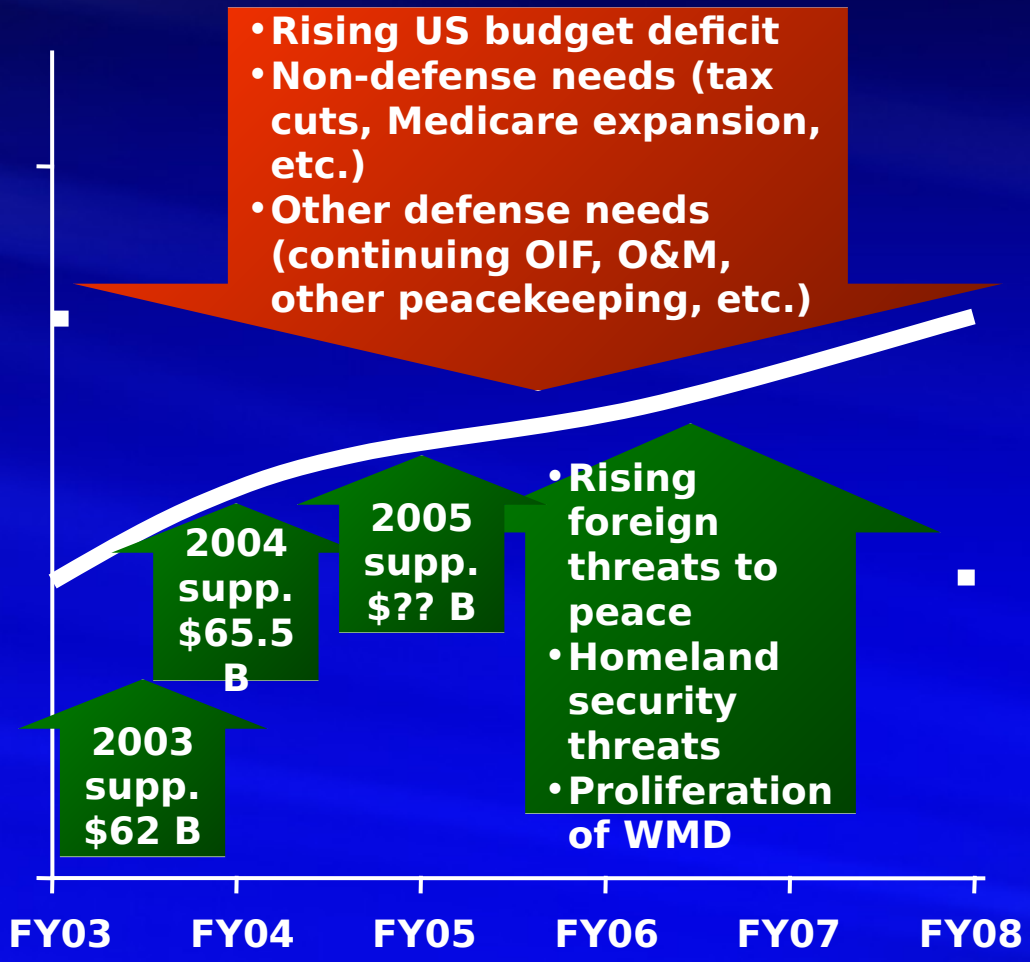
- World security, economic and social environment changing
- Radical factions likely to remain a threat to large democracies
- Cost of the global war on terrorism is creating change and opportunity
- Door open to jointness and commonality

New industry-government partnerships required to speed the pace of new capability

The Budget and the Deficit

Raytheon
Customer Success Is Our Mission

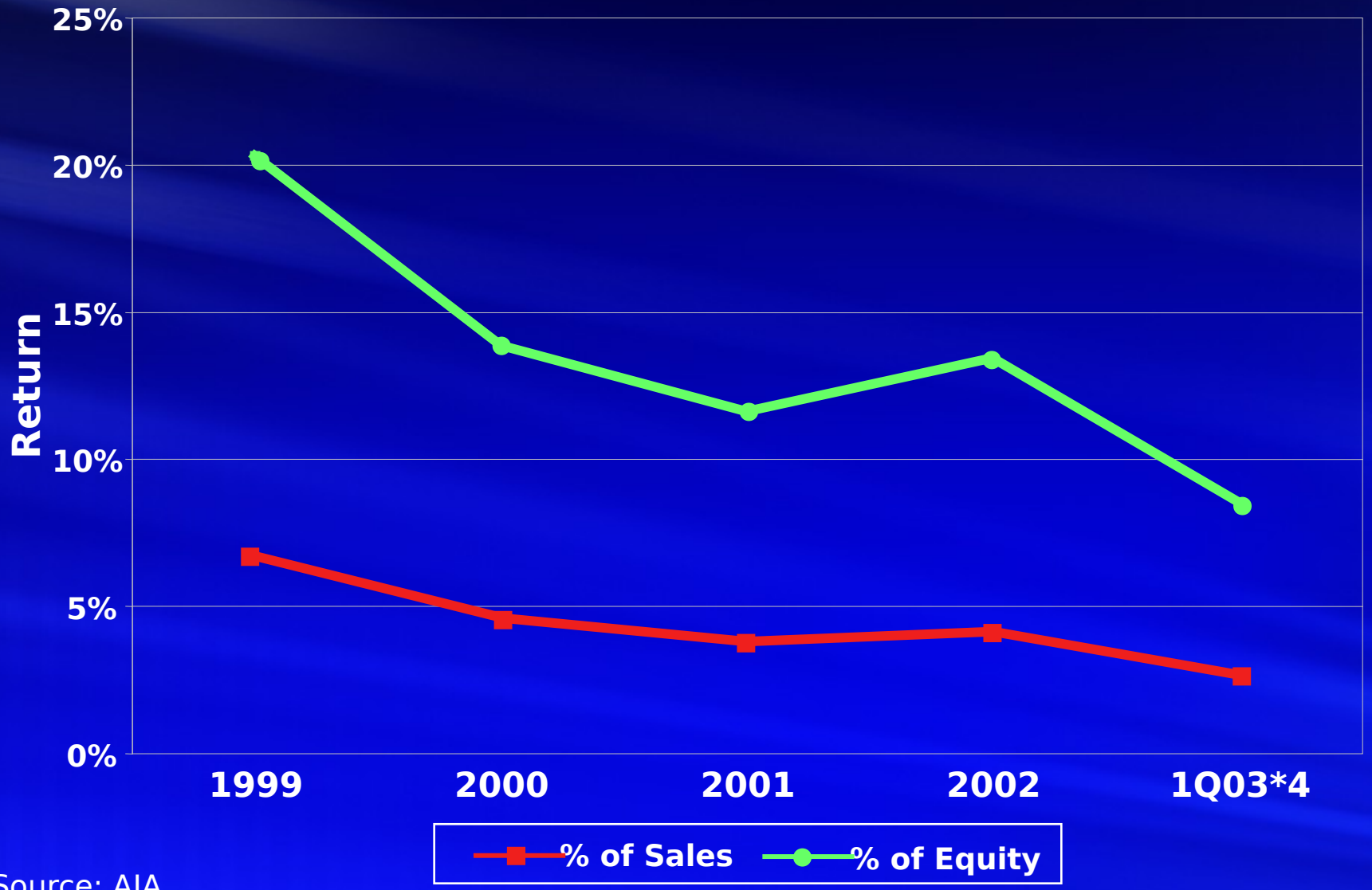
Pressures on the budget growing …



Budget pressure will further accelerate the need for transformation

Aerospace Industry Profitability

Raytheon
Customer Success Is Our Mission



Source: AIA

Contractor Incentives – A Buyer-Seller Cultural Divide

Raytheon
Customer Success Is Our Mission

What is a "reasonable" profit?

	Buyer	Seller (H):	Seller(S):
Average:	9.3%	14.5%	8.5%
Range:	3-9%	9-25%	7.5-10%

What metrics is the seller measured by?

Metrics:	Cost	Cash, ROE, Backlog,
	Schedule	Margin, Growth, Sales
	Performance	Customer
Satisfaction,		
	Quality	Quarterly
Per		

We Need to Work Together to Narrow the Divide

Aerospace Industry Workforce

Raytheon
Customer Success Is Our Mission

- Aerospace industry employment 586,000 in 2003 – a 57% reduction since 1989
- Average manufacturing employee is 51 years old; the average engineer, 54 years old
- Approximately 27% of workforce will reach retirement eligibility by 2008
- Only 2.4% of nation's R&D performing scientists and engineers work in aerospace industry

We Must Reinvigorate Industry to Make Transformation Happen

Raytheon
Customer Success Is Our Mission

Accelerating Transformation

- DoD requires flexibility and agility to meet commitments
  - Rapidly changing combat dynamic and worldwide operating presence dictate new thinking (requirements flexibility)
- Investor demands increasing on industry
  - Worldwide competition
  - Consolidation, competition, new starts, changing environment
  - Business performance required to keep pace of technology development
- Industry required to quickly provide combat capability
  - 10 Year fielding cycles should not be acceptable to either party
  - Requires business and requirement flexibility

Cost becomes one of the major drivers

Strength through Partnerships

- Partnering between industry and DoD critical for this flexibility and agility
  - Align for mutual success
  - Taking "Best of Thought" throughout industry to provide integrated capability
    - Producing capability more quickly by understanding the existing architecture
    - Building systems that operate transparently with the competition
    - Alignment of requirements and technology
- Being a fair partner/honest broker
  - Industry and DoD must provide reasons to team and cooperate

Staying aligned and committed to the warfighter

Looking Forward

- Consider successes that leverage commonality and jointness
- Outsourcing non-combat-related jobs to free up warfighter billets
- Evolve to a new way of producing capability
- Satisfying the DEMAND for weapons without long lead time

Meeting the need with weapons on demand

Weapons on Demand

Raytheon
Customer Success Is Our Mission

- Ability to rapidly turn on production capability
  - Preferred suppliers and partners
  - Simplified contracting process
  - Common factory
  - Strong common process and architecture
- Provide full service capability
  - Cost effective disposition and total systems ownership
    - Valued, long term partners committed to whole life cycle support
- Business stability can help provide warfighting flexibility

Take it further…weapons as nodes in the net

Wishful Thinking or Reality?

Raytheon
Customer Success Is Our Mission

- Maybe a little of both
  - Netted architecture exists with bandwidth to handle the detail
  - Weapons range is Increasing
- Weapons on the net/killer UAVs may be the answer to creating weapons on demand
  - Smaller logistic footprint, more agile fighting force
  - Common factory producing weapons with interchangeable payloads
  - Swarming weapons/UAVs choreographed to take out targets in priority order
  - Robust battlefield situational awareness integrated in single operating picture
  - Focuses on supplementing the combined operating picture
- But much needs to change to get there
  - Industry/DoD partnership, teamwork and trust
  - In the capitalist democracy we are all charged with protecting, profit should be a good word

The environment is driving extraordinary change

Summary

- Changing world requires new types of partnerships
- Many opportunities exist
- New models can better serve our warfighters